

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 EA-07 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

IO-11 /084 W

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P R 031126Z FEB 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 6327

INFO AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

C O N F I D E N T I A L KINSHASA 0971

PASS EXIM, TREASURY, OPIC, COMMERCE

E.O. 11652: GDS

TAGS: EFIN, ECON, EAID, CG

SUBJECT: IMF STABILIZATION PROGRAM

1. SUMMARY. IMF REP DINI CONFERRED WITH PRESIDENT MOBUTU, WHO REAFFIRMED HIS DESIRE TO GO AHEAD WITH THE IMF STABILIZATION PROGRAM. DINI SAID THAT THE FUND HAD ENCOUNTERED LAST-MINUTE PROBLEMS IN GATHERING ECONOMIC/FINANCIAL DATA FROM THE GOZ, SIMPLY BECAUSE THE ZAIRIANS WERE NOT WELL ORGANIZED, AND THAT THIS LACK OF ADMINISTRATIVE CAPACITY RAISED SOME DOUBTS AS TO THE SMOOTH IMPLEMENTATION OF THE STABILIZATION PROGRAM. NEVERTHELESS, THE FUND IS PREPARED TO MOVE AHEAD. THE GOZ WILL SIGN THE FORMAL APPLICATION TO THE FUND BY THE END OF THIS WEEK; THE IMF BOARD SHOULD APPROVE THE PROGRAM WITHIN THE NEXT THREE WEEKS; AND FUND RESOURCES SHOULD START TO FLOW BY THE END OF FEBRUARY, EARLY MARCH. END SUMMARY.

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2. DINI TOLD MOBUTU, AS HE HAD ON PREVIOUS VISITS THAT THE STABILIZATION PROGRAM WOULD BE BETTER MEDICINE, THAT GOVERNMENT EXPENDITURES WOULD HAVE TO BE CUT BACK, CREDIT RESTRAINED, DEBTS RE-SCHEDULED AND THE CURRENCY DEVALUED (HOLD CLOSELY). HE REITERATED THAT IT WOULD TAKE A YEAR OR MORE TO WORK OUT OF THE ECONOMIC/FINANCIAL BOX INTO WHICH ZAIRE HAD GOTTEN ITSELF. MOBUTU REPLIED THAT HE UNDERSTOOD THE PROBLEMS AND WANTED TO GET ON WITH THE CURE IMMEDIATELY. THE PRESIDENT TOLD DINI THAT HE INTENDED TO HOLD A POPULAR RALLY, PERHAPS AS EARLY AS THIS WEEKEND, TO PREPARE THE POPULACE FOR THE REFORM PROGRAM. DINI WENT SO FAR AS TO CRITICIZE CERTAIN PRESTIGE NON-ECONOMIC PROJECTS. MOBUTU ACCEPTED THE CRITICISM AND ALLOWED THAT THEY MUST BE STOPPED.

3. THE GOVERNOR OF THE CENTRAL BANK, SAMBWA, WAS PRESENT AT THE MEETING AND HE RECEIVED INSTRUCTIONS FROM MOBUTU TO CALL IN THE AMBASSADORS OF THE CREDITOR NATIONS AT AN APPROPRIATE TIME TO INFORM THEM OF ZAIRE'S INTENT TO CALL FOR A RE-SCHEDULING OF THE EXTERNAL DEBT. DINI ESTIMATES THAT ZAIRE CAN PAY ONLY 40 PERCENT - 50 PERCENT OF ITS FOREIGN DEBT SERVICE--THE REST MUST BE RE-SCHEDULED. DINI SAID AGAIN THAT THE FUND WAS PREPARED TO PLAY A LEADING ROLE IN THE RE-SCHEDULING, IF ALL CONCERNED AGREED. IN THIS REGARD, HE SAW, AS A FIRST STEP, THE RE-SCHEDULING OF GOVERNMENT-TO-GOVERNMENT DIRECT AND GUARANTEED DEBT (E.G. EXIM, COFFACE, ETC.)--THEN THE PRIVATE DEBT HELD BY THE BANKS.

4. IN SPITE OF THE DIFFICULTIES THE FUND HAD ENCOUNTERED ON THEIR LATEST MISSION IN GETTING THE NECESSARY ECONOMIC/FINANCIAL DATA, DINI SAID THE IMF WAS PREPARED TO MOVE AHEAD WITH THE PROGRAM. HE IS WORRIED ABOUT THE MANAGEMENT CAPACITY OF THE ZAIRIANS, BUT SEES NO ALTERNATIVE TO IMMEDIATE REFORM. HE BELIEVES THAT GOVERNOR SAMBWA WHO WILL PLAY A KEY ROLE IN THE STABILIZATION PROGRAM, WILL DO A GOOD JOB. THE ZAIRIANS SHOULD SIGN THE FORMAL APPLICATION AT THE END OF THIS WEEK. IN THE MEANTIME, DINI, WHO DEPARTS FOR WASHINGTON FEBRUARY 3, WILL BEGIN THE PROCESS LEADING TO IMF BOARD APPROVAL. AND, IF ALL GOES ACCORDING TO PLAN, ZAIRE WILL BE ABLE TO DRAW SOME \$138 MILLION FROM THE FUND AT THE END OF FEBRUARY, EARLY MARCH. CUTLER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC STABILITY, ECONOMIC PROGRAMS, ORGANIZATION & MANAGEMENT  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976KINSHA00971  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760040-0561  
**From:** KINSHASA  
**Handling Restrictions:** n/a  
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**Line Count:** 99  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 26 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <26 MAR 2004 by ElyME>; APPROVED <03 AUG 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** IMF STABILIZATION PROGRAM  
**TAGS:** EFIN, ECON, EAID, CG, IMF  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006